



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Pushes to Simplify Tax Code for Small Businesses *Senator Says Repealing Special Occupational Tax Will Encourage Job Growth*

(WASHINGTON, D.C.) U.S. Senator Max Baucus introduced legislation (S. 702) today repealing the Special Occupational Tax (SOT) affecting taxpayers who manufacture, distribute, and sell alcoholic beverages. Baucus joined with Senators Jim Bunning (R-Ky.), Tim Johnson (D-S.D.), Jim Talent (R-Mo.), and Larry Craig (R-Idaho) in introducing the measure.

Baucus has led the efforts for the last three years to repeal this antiquated tax, which was originally intended to finance the Civil War. Baucus said the time has come to remove this nuisance tax out of the Internal Revenue code.

“Businesses are being unfairly taxed by this outdated law,” Baucus said. “Many small businesses across the country as well as my home state of Montana are being adversely affected by this law that has outlived its original purpose. Wiping this tax from the books will simplify the tax code and remove an unnecessary burden from small businesses.”

Over 3,000 businesses across the State of Montana are affected by the tax. After hearing of the introduction of the bill, Mark Staples, an attorney for the Montana Tavern Association, said this was “tremendous news.” Staples said, “We’re delighted that Max continues to push to get this antiquated and unjustified tax off the books and off the backs of Montana small businesses.”

The tax collected by the Treasury Department’s Bureau of Alcohol and Tobacco, Tax and Trade Bureau (TTB), is unfair because business owners must pay the \$250 fee for every retail establishment they own, instead of a one-time fee for all locations.

Over 200 years old, the SOT tax is imposed on those who manufacture, distribute, and sell alcoholic beverages. The SOT does not tax alcohol, but instead forces business owners to pay a license fee. Taverns, bars, bowling alleys, casinos, grocery stores, restaurants, florists including wine in gift packages, as well as seasonal businesses including golf courses and ski resorts are penalized by the tax.

“Small businesses are the engine of economic growth,” Baucus said. “Nickle and diming these businesses is not the right approach to create jobs. Congress should take the appropriate steps to correct this antiquated law within the tax code. The SOT is bad for business and economic growth.”

The repeal of the SOT is supported by a broad-based group of business organizations and supported by both parties on Capitol Hill. Most recently, the SOT was repealed for three years

in the American Jobs Creation Act passed in October of 2004. The bill introduced today would make the repeal permanent.

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